



STEPS TO COMPLETING THE SRF LOAN PROCESS

May 2014



Massachusetts Department of Environmental Protection



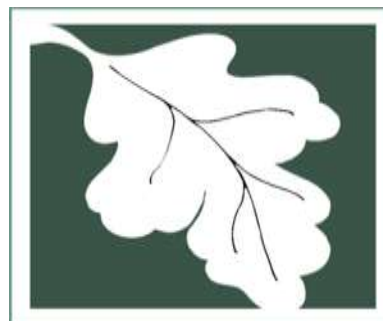
Massachusetts Water Pollution Abatement Trust



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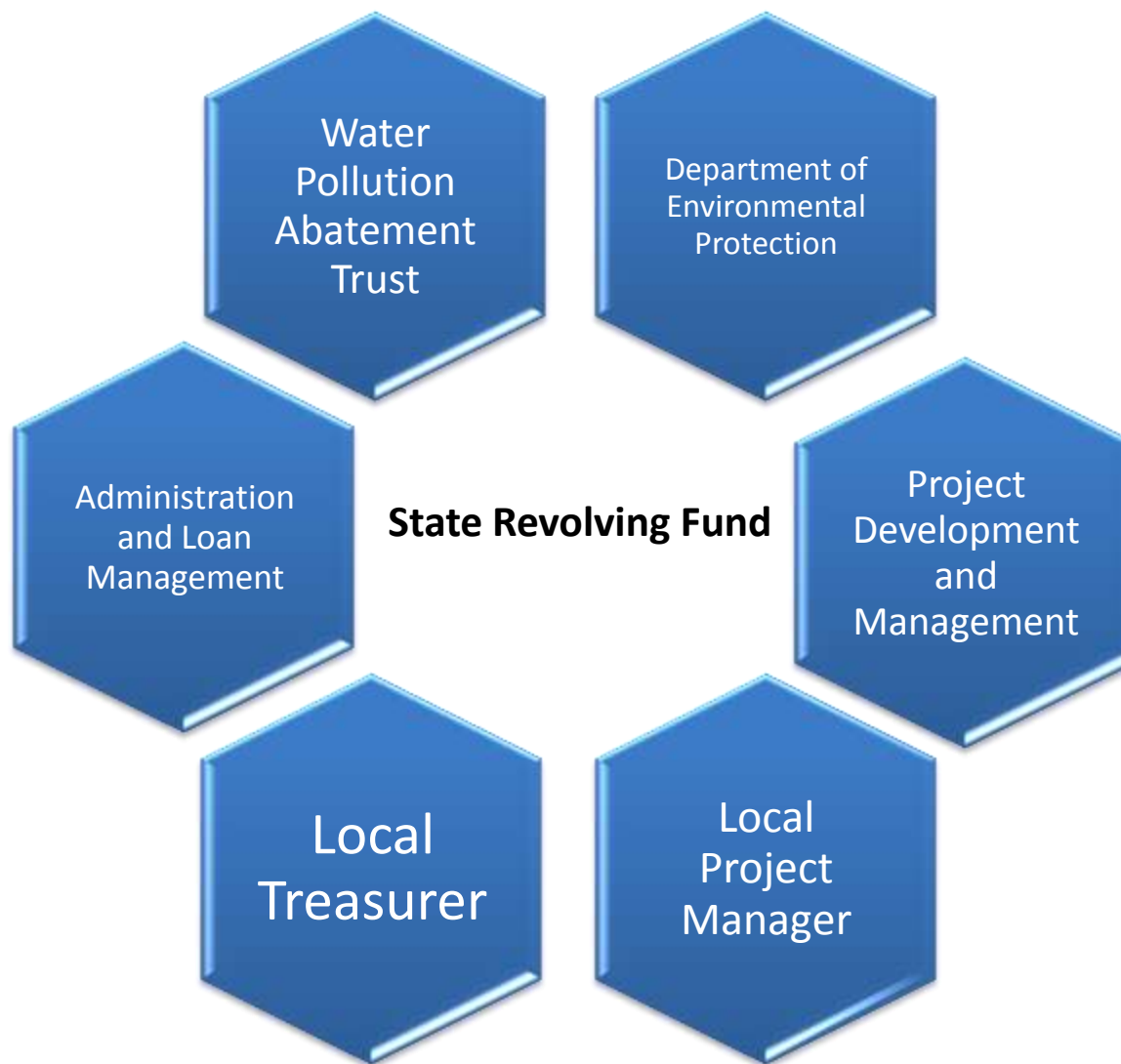
Massachusetts Water Pollution Abatement Trust

What's new for 2014



Massachusetts Water Pollution Abatement Trust

The State Revolving Fund is an Intergovernmental Partnership





Steps to Financing

- ✓ **Intended Use Plan - Done**
 - **Local Authorization- by June 30, 2014**
 - **Loan Application to DEP – Oct. 15, 2014**
 - **Project Approval Certificate - MassDEP**
 - **Loan Commitment from MWPAT**






Steps to Financing

- Procurement Process- Authorization to Award - MassDEP
- Project Regulatory Agreement - MassDEP
- Loan Agreement – MWPAT
- Loan Closing - MWPAT
 - Short Term Loans (Interim loans)
 - Permanent Loans



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Project Duration 
Deadline Dates 
Flexible Dates 

STATE REVOLVING FUND TYPICAL 2014 INTENDED USE PLAN (IUP) PROJECT TIMELINE

MASSACHUSETTS WATER POLLUTION ABATEMENT TRUST (MWPAT)



MASSACHUSETTS DEPARTMENT OF ENVIRONMENTAL PROTECTION (MASSDEP)



COMMUNITY/LOCAL GOVERNMENTAL UNIT (LGU)





Local Authorization

Town Meeting/City Council Vote:



Must be voted by June 30, 2014

- General Obligation Pledged as Security
- Authorization to Borrow
 - Use suggested language written by MWPAT Bond Counsel
- Appropriation
 - Make sure you ask for enough. Include:
 - Eligible + Ineligible costs
 - Construction Management Fees
 - Police Details
 - Inflation



Borrower Loan Application

- Due to MassDEP October 15, 2014
- Loan Application has three parts
 - Applicant Information - Authorized Representative, Local Appropriation etc.
 - Project Requirements - Plans and Specifications, Cost, Schedule, etc.
 - Supplemental Requirements - Permits, Planning, Professional Services Agreement, etc.



MassDEP Project Approval Certificate (PAC)

- PAC Issued by MassDEP to the MWPAT
- A copy is sent to Community
- PAC certifies project eligibility, costs, and lists conditions



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Loan Commitment Package

- Board vote creates Commitment to Borrower
 - Board meets on the first Wednesday of every month
 - Board consists of:
 - State Treasurer Steven Grossman, Chair
 - Secretary of Executive Office of Administration and Finance, Glen Shor
 - Commissioner of Department of Environmental Protection, David Cash
- Includes Requirements Letter outlining the step by step process to close the loan
 - Loan Questionnaire
 - Green Light Letter – from local bond counsel
- Return One (1) Signed Questionnaire to MWPAT



Loan Questionnaire

- City or town provides:
 - Updated, accurate information in order for MWPAT to comply with the tax code for tax exempt bonds
 - One (1) completed questionnaire during loan process and one (1) before pool closing
 - Accurate wiring instructions for loan disbursements



Green Light Letter and Bond

- Borrower Bond Counsel prepares:
 - “Green Light Letter,” which is sent to MWPAT certifying that the local vote is legal
 - Local bond and Interim Loan Note for delivery to MWPAT for interim and permanent loan
 - MWPAT does not finance local costs for bond counsel



Borrower Procurement Process

- Before bidding, MassDEP must give “Permission to Advertise”
- Bid Specs/Contracts must be approved by MassDEP
- MassDEP Civil Rights Section reviews and approves MBE/WBE participation
- MassDEP reviews bid results and issues “Authorization to Award”



MassDEP Project Regulatory Agreement (PRA)

- **Contract between MassDEP and Borrower**
- **Establishes MassDEP control over project**
 - **Outlines project eligibility and funding**
 - **Establishes disbursement procedures**
 - **Loan closeout process**
 - **Legal requirements of Borrower**
 - **Discusses project defaults and how to remedy**



Financing Agreement

- Contract between MWPAT and Borrower
- Outlines MWPAT and Borrower's responsibilities
- States how a loan default can occur and how to cure the default
- City/Town Receives:
 - Two (2) copies of the Project Regulatory Agreement (PRA)
 - Two (2) copies of the Financing Agreement
- Sign and Return:
 - One (1) copy of the (PRA)
 - One (1) copy of the Financing Agreement to MWPAT



Interim Financing

- Preferable to BANs
 - Lower interest rate
- Interest rate = $\frac{1}{2}$ MMDT Index (currently 0.10%)
- Loan origination fee of \$500 - \$1000
- Bond Counsel issues interim loan note to MWPAT
- Become permanently financed usually within one year
- Interest accrues only on amount drawn
- Interest payment due at close of permanent loan
- Contact MWPAT and local bond counsel



Loan Terms and Fees

	Clean Water	Drinking Water	Interim Loan
Loan Rate	2% (20 Years) Calculated (30Years)*	2%	½ MMDT Rate (0.10%)
Max. Term	30 years	20 years	1 year
Admin Fee	0.15%	0.15%	N/A
Effective Loan rate	2.15% (20 Years)	2.15%	N/A
Origination Fee (one-time)	Approx. \$7.50/\$1,000**	Approx. \$7.50/\$1,000	\$500-\$1,000

* Rate calculated at time of bond sale, estimated between 2.4-2.9%

** To be determined at time of bond sale to offset costs



Disbursements

- Proceeds of the loan are generally disbursed to the community monthly
- “Payment Requisition” is completed by the community and forwarded to MassDEP with the appropriate documentation
- MassDEP reviews the request and approves eligible costs
- MassDEP forwards the request to the MWPAT
- MWPAT wires to borrower every Thursday with funds often available the next day



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Sample Disbursement

DEPARTMENT OF ENVIRONMENTAL PROTECTION BUREAU OF RESOURCE PROTECTION PAYMENT REQUISITION

LOAN NO.: CW-07-14 DMS PROJECT NO.: CWSRF 2984		REQUEST NO.: 1	
LEGAL NAME AND ADDRESS OF BORROWER: Town of Hudson One Municipal Drive Hudson, MA 01749			
EXPENDITURE TYPE	APPROVED AMOUNT \$	PREVIOUS REQUESTS \$	THIS REQUEST \$
Technical Services	\$ 1,454,800.00	\$ -	\$19,076.91
Construction	\$ 14,214,509.00	\$ -	\$250,476.00
Contingency	\$ 710,725.00		
Project Management Services	\$ 78,500.00	\$ -	\$1,020.50
Totals	16,458,534.00	\$ -	\$270,573.41
CERTIFICATION OF THE BORROWER: The Authorized Representative of the Borrower identified below certifies the following: (i) This payment is for Project Costs and the obligations specified herein have not been the basis for a prior requisition that has been paid; (ii) there has been no Default, as defined in the Regulatory Agreement hereunder or no Event of Default as defined in the Loan Agreement and no event or condition exists which after notice or lapse of time or both would become a Default under the Regulatory Agreement or an Event of Default under the Loan Agreement exists; and (iii) the payment requested by this requisition is true for work actually performed or materials or property actually supplied prior to the date of this requisition less off-invoice.			
Signature: <u>[Signature]</u> Date: <u>1/30/08</u> Print Name: Tony Marques Title: DPW Director			
(To be completed by the DEP Division of Municipal Services)			
Amount Requested: <u>\$270,573.41</u> Amount Approved: <u>\$270,573.41</u> Signature: <u>[Signature]</u> Date: <u>2/1/2008</u> Print Name: Steven J. McCurdy Title: Director of Program Development			

Loan Number
And
Mass DEP
Project
Number

Disbursement
Number

Total Interim
Loan Amount

Payment
Request
Amount

Signed and
Dated by
Borrower

Approval
Signature from
Mass DEP



Loan Repayment

- Payments due July 15 and January 15
- MWPAT will send an invoice 30 days in advance
- Invoice will include wire instructions
- Debt Service Payments
- Administrative Fee Payments
- Origination Fee Payment – at first debt service payment



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Debt Service Schedule (Schedule C)

Draft Schedule C

Prepared by MWPAT

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**Massachusetts Water Pollution Abatement Trust
Preliminary Structuring Analysis
Yourtown
Loan: CW-14-2014**

Initial Loan Amount	5,000,000.00	Loan Origination Fee (\$5.5/1000)	27,500.00
Principal Forgiveness		Loan Term (in years)	20
Net Loan Obligation	5,000,000.00	Loan Rate	2.00%
		Closing Date	5/31/2015
		First Interest	7/15/2015
		First Principal	1/15/2016

Date	Principal	Interest	Total Debt Service	Admin Fee (0.15%)	Loan Origination Fee	Commonwealth Assistance Principal Forgiveness	Total Debt Service	Annual Debt Service
5/31/2015								
7/15/2015		12,500.00	12,500.00	3,750.00	27,500.00		43,750.00	
1/15/2016	212,120.00	50,000.00	262,120.00	3,750.00			265,870.00	309,620.00
7/15/2016		47,878.80	47,878.80	3,590.91			51,469.71	
1/15/2017	206,681.00	47,878.80	254,559.80	3,590.91			258,150.71	309,620.42
7/15/2017		45,811.99	45,811.99	3,435.90			49,247.89	
1/15/2018	211,125.00	45,811.99	256,936.99	3,435.90			260,372.89	309,620.78
7/15/2018		43,700.74	43,700.74	3,277.56			46,978.30	
1/15/2019	215,664.00	43,700.74	259,364.74	3,277.56			262,642.30	309,620.59
7/15/2019		41,544.10	41,544.10	3,115.81			44,659.91	
1/15/2020	220,300.00	41,544.10	261,844.10	3,115.81			264,959.91	309,619.82
7/15/2020		39,341.10	39,341.10	2,950.58			42,291.68	
1/15/2021	225,037.00	39,341.10	264,378.10	2,950.58			267,328.68	309,620.37
7/15/2021		37,090.73	37,090.73	2,781.80			39,872.53	
1/15/2022	229,875.00	37,090.73	266,965.73	2,781.80			269,747.53	309,620.07
7/15/2022		34,791.98	34,791.98	2,609.40			37,401.38	
1/15/2023	234,818.00	34,791.98	269,609.98	2,609.40			272,219.38	309,620.76
7/15/2023		32,443.80	32,443.80	2,433.29			34,877.09	
1/15/2024	239,866.00	32,443.80	272,309.80	2,433.29			274,743.09	309,620.17
7/15/2024		30,045.14	30,045.14	2,253.39			32,298.53	

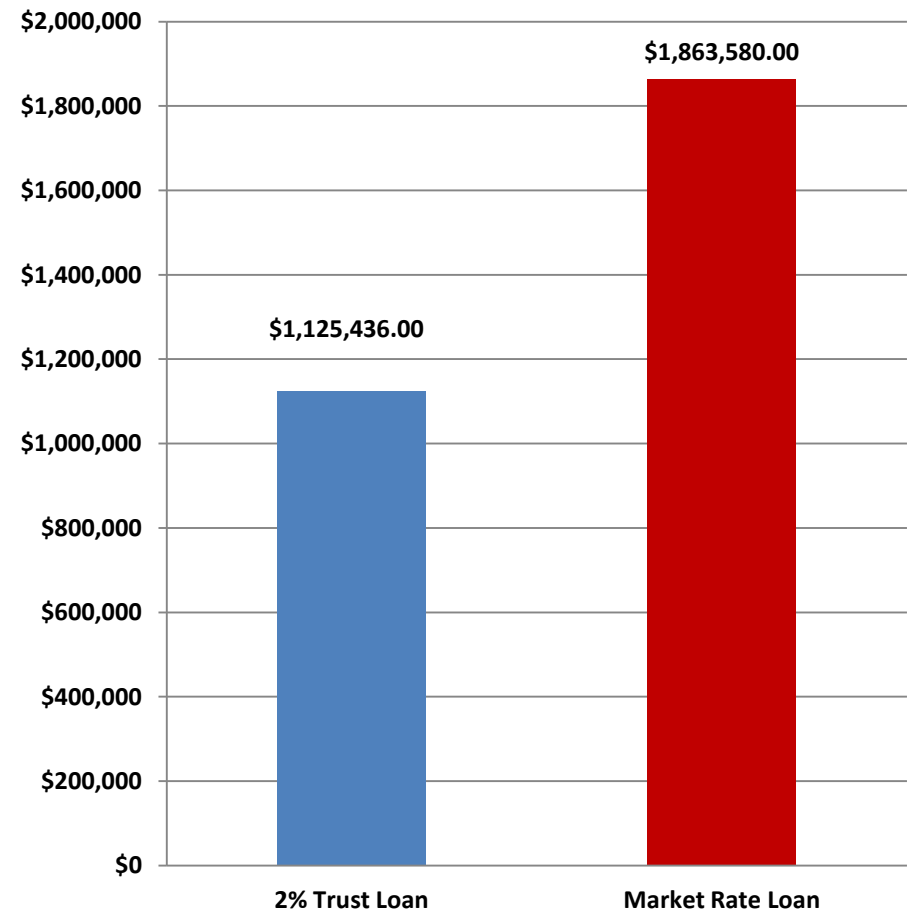


Why Borrow From the Trust

Benefits of Using the Trust

- What does the 2% rate mean for your community?
 - On an average \$5m loan the community would save \$738,144 over the life of the loan (using current market rates)
 - Equates to a 40% interest subsidy
- Savings generated through economy of scale
 - Underwriters fees
 - FA fees
 - Bond Counsel fees

2% Loan vs Market Rate





Contact Information

Financial

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